

November 15, 2021



Data Storage Corporation Reports 42% Increase in Revenue for the Third Quarter of 2021

Management to host conference call today, November 15 at 11:30AM Eastern Time

MELVILLE, N.Y., Nov. 15, 2021 (GLOBE NEWSWIRE) -- **Data Storage Corporation (Nasdaq: DTST)** ("DSC" and the "Company"), a provider of diverse business continuity, disaster recovery protection, IBM Power infrastructure-as-a-service, cyber-security based and data analytics solutions, today provided a business update and reported its financial results for the third quarter ended September 30, 2021.

Chuck Piluso, CEO of Data Storage Corporation, commented, "I'm pleased to report revenue for the third quarter increased 42% compared to the same period last year, and we continue to generate positive net income, while investing in the future growth of the Company. We saw a meaningful increase in sales across Infrastructure & Disaster Recovery/Cloud Services, which increased 27%; an increase in Managed Services; and Nexxis VoIP services, which increased 17%. This increase was partially offset by a decline in Equipment and Software, reflecting our focus on recurring and high margin cloud-based subscription services. Our solid results for the quarter are a direct reflection of our new sales and marketing strategy, as well as the continued growth and synergies that are being realized from the recent Flagship merger."

"We continue to expand our offerings, as illustrated by the recent partnership with Precisely, a global leader in data integrity and security software solutions, providing us new and valuable opportunities within the market. As more companies migrate their businesses to the cloud, there is an increasing need for solutions that prioritize privacy and compliance adherence. Precisely has proven to be an ideal partner to enhance our IBM i ezSecurity solution, as evidenced by the increased demand and new sales opportunities."

"Overall, with our new capital we are investing in our organic growth, including new employees and marketing campaigns. We are establishing special incentives for cross selling our solutions between our three subsidiaries and leveraging our distribution channels. We believe we are positioned for solid organic growth in 2022 creating the baseline of subscription recurring revenue for futures years and continuing our high contract renewal rate of 94%. Our primary objectives going into 2022 are to establish more accretive partnerships and to increase our sales presence across all our product lines. At the same time, we have maintained a strong balance sheet with approximately \$12.9 million of cash and cash equivalents as of September 30, 2021. Our cash position enables us to execute on our growth strategy as well as explore opportunistic acquisitions that would enhance our offerings. Looking ahead, we believe we are on track to make considerable progress towards achieving our goals and look forward to providing further updates as developments

unfold.”

Financial Results

Revenue for the three months ended September 30, 2021 was \$3.86 million, an increase of 42%, compared to \$2.72 million for the three months ended September 30, 2020. The increase was primarily attributable to additional sales from the Flagship merger and an increase in monthly subscription revenues.

Selling, general and administrative expenses for the three months ended September 30, 2021 were \$2.02 million compared to \$1.02 million for the three months ended September 30, 2020. The increase in expenses was primarily attributable to increases in salaries, professional fees, advertising expenses, commission expenses, and interest expenses.

Net income attributable to common shareholders for the three months ended September 30, 2021 was \$0.14 million, or \$0.02 per share, as compared to \$0.01 million, or \$0.00 per share, for the three months ended September 30, 2020.

Conference Call

The Company plans to host a conference call at 11:30 am Eastern Time today, November 15, 2021 to discuss the Company’s financial results for the third quarter ended September 30, 2021 as well as corporate progress and other developments.

The conference call will be available via telephone by dialing toll free 888-506-0062 for U.S. callers or for international callers +1 973-528-0011 and using entry code: 737560. A webcast of the call may be accessed at <https://www.webcaster4.com/Webcast/Page/2763/43671>, or on the Company’s Investor Relations section of the website, ir.datastoragecorp.com.

A webcast replay of the call will be available on the Company’s Investor Relations section of the website (ir.datastoragecorp.com) through November 15, 2022. A telephone replay of the call will be available approximately one hour following the call, through November 29, 2021 and can be accessed by dialing 877-481-4010 for U.S. callers or +1 919-882-2331 for international callers and entering conference ID: 43671.

About Data Storage Corporation

The Company delivers and supports a broad range of premium technology solutions focusing on IaaS, data storage protection and IT management. Clients look to Data Storage to ensure disaster recovery, business continuity, enhance security, and to meet increasing industry, state and federal regulations. The Company markets to businesses, government, education and the healthcare industry by leveraging leading technologies. Through its business units, the Company provides IaaS, SaaS, DRaaS, VoIP, cyber security, data analytics, IBM Power systems and storage hardware with managed IT services. For more information, please visit <http://www.DataStorageCorp.com>.

Safe Harbor Provision

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, that are intended to be covered by the safe harbor created thereby. Forward-looking statements are subject to risks and

uncertainties that could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can provide no assurance that such expectations will prove to have been correct. These risks should not be construed as exhaustive and should be read together with the other cautionary statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it was initially made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

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SOURCE: Data Storage Corporation

tables follow

**DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	September 30, 2021	December 31, 2020
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,889,032	\$ 893,598
Accounts receivable (less allowance for doubtful accounts of \$19,896 and \$30,000 in 2021 and 2020, respectively)	1,837,053	554,587
Prepaid expenses and other current assets	521,958	239,472
Total Current Assets	15,248,043	1,687,657

Property and Equipment:

Property and equipment	6,443,075	7,845,423
Less—Accumulated depreciation	(4,406,987)	(5,543,822)
Net Property and Equipment	<u>2,036,088</u>	<u>2,301,601</u>

Other Assets:

Goodwill	6,610,021	3,015,700
Operating lease right-of-use assets	469,643	241,911
Other assets	72,153	49,310
Intangible assets, net	2,355,463	455,935
Total Other Assets	<u>9,507,280</u>	<u>3,762,856</u>

Total Assets	\$ 26,791,411	\$ 7,752,114
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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:

Accounts payable and accrued expenses	\$ 1,287,525	\$ 979,552
Dividend payable	—	1,115,674
Deferred revenue	379,526	461,893
Line of credit	50,000	24
Finance leases payable	177,175	168,139
Finance leases payable related party	805,890	1,149,403
Operating lease liabilities short term	204,598	104,549
Note payable	—	374,871
Total Current Liabilities	<u>2,904,714</u>	<u>4,354,105</u>

Note payable long term	—	107,106
Deferred tax liability long term	429,619	—
Operating lease liabilities long term	274,702	147,525
Finance leases payable, long term	126,645	247,677
Finance leases payable related party, long term	482,069	974,743
Total Long Term Liabilities	<u>1,313,035</u>	<u>1,477,051</u>

Total Liabilities	<u>4,217,749</u>	<u>5,831,156</u>
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Stockholders' Equity:

Preferred stock, Series A par value \$.001; 10,000,000 shares authorized; 0 and 1,401,786 shares issued and outstanding in 2021 and 2020, respectively	—	1,402
Common stock, par value \$.001; 250,000,000 shares authorized; 6,692,742 and 3,213,486 shares issued and outstanding in 2021 and 2020, respectively	6,693	3,213
Additional paid in capital	38,189,610	17,745,785
Accumulated deficit	(15,521,578)	(15,734,737)
Total Data Storage Corp Stockholders' Equity	<u>22,674,725</u>	<u>2,015,663</u>

Non-controlling interest in consolidated subsidiary	(101,063)	(94,705)
Total Stockholder's Equity	<u>22,573,662</u>	<u>1,920,958</u>
Total Liabilities and Stockholders' Equity	<u>\$ 26,791,411</u>	<u>\$ 7,752,114</u>

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Sales	\$ 3,860,258	\$ 2,723,532	\$ 9,963,198	\$ 6,827,867
Cost of sales	<u>2,167,622</u>	<u>1,621,008</u>	<u>5,609,845</u>	<u>3,977,546</u>
Gross Profit	1,692,636	1,102,524	4,353,353	2,850,321
Selling, general and administrative	<u>2,024,304</u>	<u>1,017,863</u>	<u>4,745,022</u>	<u>2,882,755</u>
Income (loss) from Operations	<u>(331,668)</u>	<u>84,661</u>	<u>(391,669)</u>	<u>(32,434)</u>
Other Income (Expense)				
Interest income	1	1	5	21
Interest expense	(15,727)	(42,727)	(97,397)	(132,866)
Gain on contingent liability	—	—	—	350,000
Loss on sale of equipment	—	—	(29,732)	—
Gain on forgiveness of debt	481,977	—	789,277	—
Total Other Income (Expense)	<u>466,251</u>	<u>(42,726)</u>	<u>662,153</u>	<u>217,155</u>
Income before provision for income taxes	134,583	41,935	270,484	184,721
Provision for income taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Income	134,583	41,935	270,484	184,721
Non-controlling interest in consolidated subsidiary	<u>1,047</u>	<u>4,283</u>	<u>6,358</u>	<u>17,833</u>

Net Income attributable to Data Storage Corp	135,630	46,218	276,842	202,554
Preferred Stock Dividends	—	(36,650)	(63,683)	(105,877)
Net Income Attributable to Common Stockholders	\$ 135,630	\$ 9,568	\$ 213,159	\$ 96,677
Earning per Share – Basic	\$ 0.02	\$ 0.00	\$ 0.05	\$ 0.03
Earning per Share – Diluted	\$ 0.02	\$ 0.00	\$ 0.05	\$ 0.03
Weighted Average Number of Shares - Basic	6,350,826	3,213,485	4,530,188	3,212,821
Weighted Average Number of Shares - Diluted	6,482,577	3,383,499	4,720,546	3,365,675

**DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net Income	\$ 270,484	\$ 184,721
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	947,669	754,243
Stock based compensation	120,251	116,557
Gain on forgiveness of debt	(789,277)	—
Gain on contingent liability	—	(350,000)
Loss on sale of equipment	29,732	—
Changes in Assets and Liabilities:		
Accounts receivable	106,797	(241,675)
Other assets	(344)	16,125
Prepaid expenses and other current assets	(154,912)	(98,874)
Right of use asset	(227,732)	61,233
Accounts payable and accrued expenses	(206,384)	252,717
Deferred revenue	(151,103)	61,687
Deferred tax liability	(19,362)	—
Deferred rent	—	—
Operating lease liability	227,226	(60,647)

Net Cash Provided by Operating Activities	<u>153,045</u>	<u>696,087</u>
Cash Flows from Investing Activities:		
Capital expenditures	(418,422)	(164,796)
Cash acquired in business acquisition	212,068	—
Cash consideration for business acquisition	<u>(6,149,343)</u>	<u>—</u>
Net Cash Used in Investing Activities	<u>(6,355,697)</u>	<u>(164,796)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of note payable	—	481,977
Proceeds from line of credit	50,000	—
Repayments of finance lease obligations related party	(886,188)	(641,170)
Repayments of finance lease obligations	(111,995)	(24,320)
Proceeds from issuance of common stock and warrants	16,944,380	—
Cash received for the exercise of Warrants	3,381,270	—
Cash received for the exercised of options	—	5,400
Repayments of Dividend payable	(1,179,357)	—
Repayment of line of credit	<u>(24)</u>	<u>(74,976)</u>
Net Cash Provided by (Used) in Financing Activities	<u>18,198,086</u>	<u>(253,089)</u>
Increase in Cash and Cash Equivalents	11,995,434	278,202
Cash and Cash Equivalents, Beginning of Period	<u>893,598</u>	<u>326,561</u>
Cash and Cash Equivalents, End of Period	\$ 12,889,032	\$ 604,763
Supplemental Disclosures:		
Cash paid for interest	\$ 92,779	\$ 124,297
Cash paid for income taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Accrual of preferred stock dividend	\$ 63,683	\$ 105,877
Assets acquired by finance lease	\$ 50,000	\$ 808,261



Source: Data Storage Corp.